GENERAL MOTORS ANNUAL REPORT 1979

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CADILLAC SEVILLE ELEGANTE

S.E.C. Form 10-K

Common stockholders (including beneficial owners) may obtain a copy of the General Motors Corporation Annual Report to the Securities and Exchange Commission on Form 10-K after April 8, 1980. Requests should be addressed to: Manager, Stockholder Relations, General Motors Corporation, Room 11-229, 3044 West Grand Boulevard, Detroit, Michigan 48202 (313-556-2044).

Tape Recording of 1979 GM Annual Report

A cassette tape recording of major portions of the 1979 Annual Report is available at no charge for distribution to handicapped persons. Requests should be sent to: Manager, Stockholder Relations, General Motors Corporation, Room 11-229, 3044 West Grand Boulevard, Detroit, Michigan 48202.

Principal Offices

General Motors Corporation
(a Delaware Corporation)
3044 West Grand Boulevard
Detroit, Michigan 48202

767 Fifth Avenue
New York, New York 10022

Stock Transfer Offices

767 Fifth Avenue
New York, New York 10022

3044 West Grand Boulevard
Detroit, Michigan 48202

21 King Street, East
Toronto, Ontario M5C 1B3, Canada

1350 Sherbrooke Street, West
Montreal, Quebec H3G 1J1, Canada

The Annual Meeting of Stockholders

will be held on May 23, 1980, in Detroit, Michigan.

It is expected that proxy material will be sent to stockholders beginning about April 18, 1980, at which time proxies for use at this meeting will be requested.

OLDSMOBILE OMEGA BROUGHAM Sedan

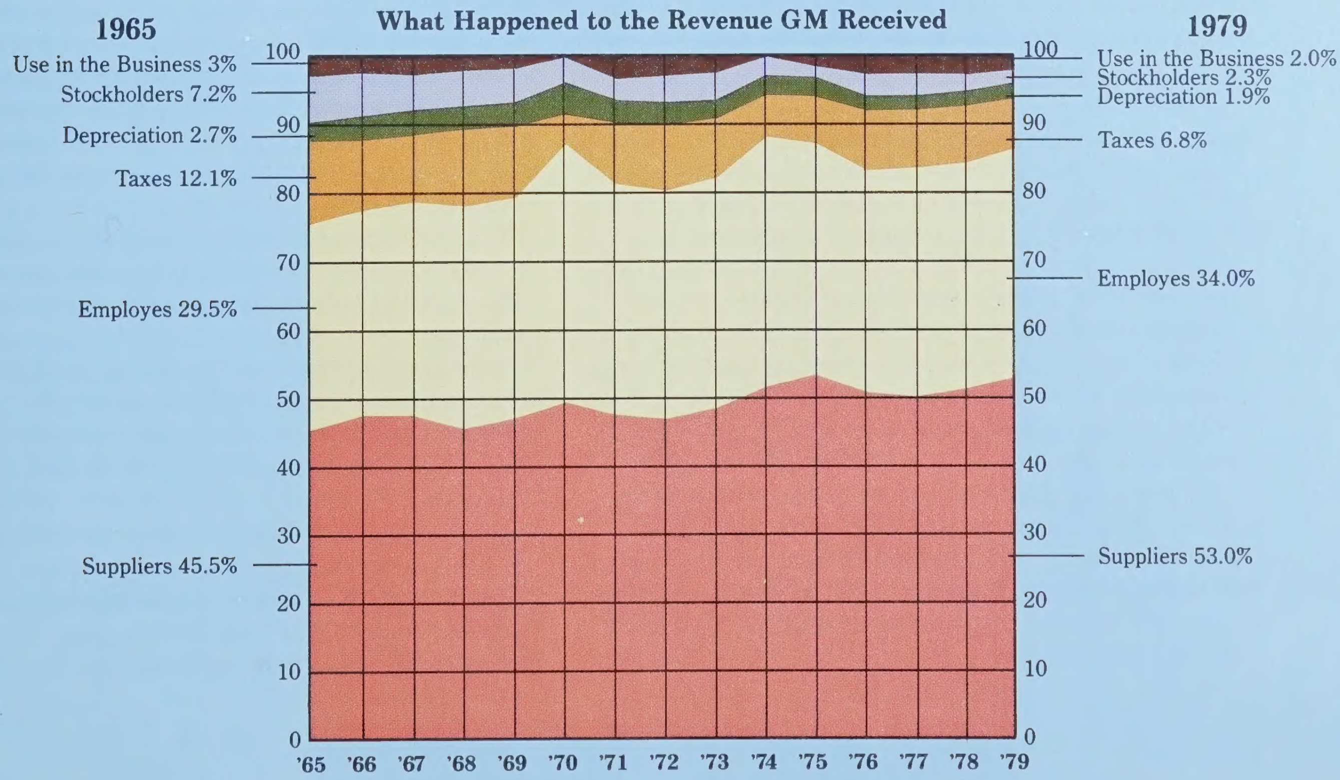
Highlights

(Dollars in Millions Except Per Share Amounts)

		1979	1978	1977
Sales of All Products	United States operations			
	Automotive products	$51,093.5	$49,603.0	$44,317.0
	Nonautomotive products	3,389.8	3,391.3	2,795.2
	Defense and space	531.5	504.5	438.8
	Total United States operations	55,014.8	53,498.8	47,551.0
	Canadian operations	8,044.7	6,775.7	5,743.9
	Overseas operations	12,394.4	10,975.0	8,399.1
	Elimination of interarea sales	(9,142.7)	(8,028.4)	(6,732.7)
	Total	$66,311.2	$63,221.1	$54,961.3
	Worldwide automotive products	$62,006.6	$58,985.5	$51,429.5
	Worldwide nonautomotive products	$ 4,304.6	$ 4,235.6	$ 3,531.8
Worldwide Factory Sales of Cars and Trucks (units in thousands)		8,993	9,482	9,068
Net Income	Amount	$ 2,892.7	$ 3,508.0	$ 3,337.5
	As a percent of sales	4.4%	5.5%	6.1%
	As a percent of stockholders' equity	15.1%	20.0%	21.2%
	Earned per share of common stock	$10.04	$12.24	$11.62
	Dividends per share of common stock	$ 5.30	$ 6.00	$ 6.80
Taxes	United States, foreign and other income taxes	$ 2,183.4	$ 3,088.5	$ 2,934.2
	Other taxes (principally payroll and property taxes)	2,324.6	2,247.9	1,809.7
	Total	$ 4,508.0	$ 5,336.4	$ 4,743.9
	Taxes per share of common stock	$15.72	$18.69	$16.58
Investment as of December 31	Working capital	$ 6,688.2	$ 7,948.9	$ 7,630.3
	Stockholders' equity	$19,179.3	$17,569.9	$15,766.9
	Book value per share of common stock	$64.61	$60.01	$53.82
Number of Stockholders as of December 31 (in thousands)		1,237	1,268	1,245
Worldwide Employment*	Average number of employes (in thousands)	853	839	797
	Total payrolls	$18,851.0	$17,195.5	$15,270.8
	Payrolls as a percent of sales	28.4%	27.2%	27.8%
	Total cost of an hour of labor—U.S. hourly employes	$15.25	$13.75	$12.50
Property	Real estate, plants and equipment—Expenditures	$ 3,371.8	$ 2,737.8	$ 1,870.9
	—Depreciation	$ 1,236.9	$ 1,180.6	$ 974.0
	Special tools—Expenditures	$ 2,015.0	$ 1,826.7	$ 1,775.8
	—Amortization	$ 1,950.4	$ 1,855.7	$ 1,406.4
	Total expenditures	$ 5,386.8	$ 4,564.5	$ 3,646.7

*Includes financing and insurance subsidiaries.

What Happened to the Revenue GM Received



Letter to Stockholders

February 13, 1980

For the automobile industry, the year 1979 was both unusual and representative. It was unusual for its extremes, yet representative of the ups and downs which characterized the turbulent 1970s. And while the decade of the 1980s has begun on a cautionary note, history records that we also entered the decade of the 1970s with similar concerns. It became nonetheless a decade of significant achievement in response to the challenges of the times. Thus, the current sluggishness of the U.S. economy, continuing inflation, and aggravated concerns about energy price and availability do not dim our confidence in the prospects for personal transportation—and for General Motors' products and services—in this new decade.

Although 1979 was a relatively good year overall for GM and the auto industry, it fell short of expectations—and far short of the promise of its auspicious beginning. In the first quarter, industry retail sales in the U.S. were at a near-record annual rate of 16 million cars and trucks.

Subsequent events dramatized the swiftness of change. Gasoline shortages, both real and perceived, resulted in an abrupt shift in buying patterns. Sales of light-duty trucks for personal use, which had been a propelling force of unprecedented proportion, dropped sharply. Many potential car buyers deferred their purchases. Others chose smaller, more fuel-efficient cars as part of an escalating trend which outpaced the industry's ability to adapt its capability to produce small cars.

As a result of the interrelated concerns about fuel availability and the overall slowing in the pace of economic growth, the sales volume experienced early in 1979 declined sharply as the year progressed. To keep inventories in balance, General Motors stepped up merchandising activities and initiated dealer-incentive programs for some larger models. Despite these actions, it became necessary to reduce production schedules and temporarily to idle some workers. At the same time, those plants producing smaller cars were working full, even overtime, schedules.

Nevertheless, new vehicle sales by our industry in the United States for the full-year 1979 were slightly over 14.1 million units—off only about 8% from the 1978 record of 15.4 million units. It was the fourth best sales year in the industry's history, a noteworthy achievement considering the volatile conditions.

Prospects for sales in 1980 are encouraging. The U.S. economy remains fundamentally sound and free of the kind of economic imbalances that traditionally have resulted in a serious downturn such as that experienced in 1974. Instead, a relatively mild economic correction is expected, and by the latter half of 1980, we look for a return to more normal economic growth and to vehicle buying patterns that will close the year on a note of renewed strength.

Even as we look optimistically to future sales, we are aware that more than the usual amount of risk is associated with the year ahead. The situation in the Middle East must stabilize before the full potential of both the United States and the world economies as a whole can be reached. And our deep-rooted concerns over energy must be addressed.

The only wise course of action for the United States has become increasingly clear: we must end our growing and costly dependence on imported oil.

We must do this by developing a comprehensive national energy policy. Conservation, by itself, will not solve the problem of U.S. dependency on oil imports. The real and lasting answer is to increase production from our own domestic resources, and to develop alternative sources of fuel. Oil from shale and tar sands, together with coal and other new energy sources, must be aggressively developed to replace shrinking conventional petroleum supplies. We must move forward purposefully and carefully, mindful of the risks involved but with confidence in our ability to handle them. The most serious shortage would be a shortage of resolve.

Ultimately, the development of synthetic and other alternative fuels from domestic resources will eliminate America's vulnerability in energy. We urgently need a workable and cost-effective program to this end. The Federal Government must take steps to remove controls and permit the market system to operate. This will—and must—provide the incentives for the most efficient use of energy in all forms.

The resolution of the energy policy problem will provide the nation with the strong foundation required to propel it into a period of expanding prosperity and could do much to assure world peace.

At GM, we are committed to product programs that are responsive to energy problems and to the rapidly changing transportation needs of consumers in the United States and throughout the world. Our programs to develop increasingly more fuel-efficient, safer, and cleaner vehicles continue at an accelerated pace.

Our customers today are demanding ever greater improvement in fuel efficiency—and we're determined to provide the vehicles they require. We intend to reach

and, if possible, to exceed the fleet average of 27.5 miles per gallon which the government requires by 1985. And a recent breakthrough in electric-battery technology announced by General Motors in September has significantly increased the possibility of our introducing special-purpose electric vehicles by the mid-Eighties.

We are working hard to improve our competitive position in the United States against both domestic and foreign automakers, and we are making the necessary financial commitments.

At the same time, we are moving aggressively to become a more important factor in the world market. We are continuing the movement begun over a year ago to strengthen our overseas activities and to integrate them more fully into our total worldwide operation. In the past year, we have initiated major expansions or new investments in Australia, Austria, Brazil, Colombia, Mexico, Spain, and Venezuela. We have also formed a trading company to assist us in international trade.

Worldwide capital expenditures to accomplish these and other programs—to build the new products, to modernize plants and equipment, and to provide for greater productive capacity—totaled a record $5.4 billion in 1979 and could exceed $7.0 billion in 1980. These expenditures place an unprecedented demand upon the financial resources of the Corporation, particularly at a time of declining profit margin.

While below the 1978 records, 1979 unit sales were the third best in GM's history and net income was the fourth best ever. Under normal circumstances, this would indicate a relatively good year. But once again our profit margin—net income as a percentage of sales—declined, from 5.5% in 1978 to 4.4% in 1979, reflecting lower unit volume, a less favorable product mix, and competitive factors which continued to limit our ability to recover cost increases in product prices. Profit margin was as high as 10.3% in 1965 and, in spite of generally increasing unit volume, has declined to current levels principally as a result of the inflation which has impacted our nation so severely. A further consequence of these lower profits was that dividends paid in 1979 were less than the total paid in 1978.

Inflation also affected operations unfavorably, but given a continuing strong commitment on the part of the Federal Reserve and the Administration to address the critical need for national monetary and fiscal policies designed to control inflation, it should be possible to bring the rate of increase in the Consumer Price Index into the single-digit range by the end of the year.

Two developments occurred in 1979 which should have a positive influence on GM's prospects.

The first was agreement on a new labor contract—reached without the damaging strike that many had predicted. We believe that the agreement was both responsive and responsible, given the realities of the times. It added a measure of protection to our stockholders' investment in the business, by avoiding a work stoppage and by permitting our ambitious product programs to proceed. Moreover, we view the settlement as the product of a continually improving cooperative relationship and a herald of even more progress for General Motors, the union, and our employes.

The second development was a further improvement in business relations with government. In recent years, business has been making a concerted effort to break down the adversary relationship that has been causing so much friction between the public and private sectors. In 1979, a new sensitivity in Washington to the problems of the auto industry appeared to be emerging. While it is still too early to tell where this will lead, we certainly welcome the change. We hope it will result in a greater understanding of our industry and of the adverse effects of regulation when it is applied too rigidly and with too little regard for cost and time constraints.

In summary, we at GM are confident in the underlying strength of the U.S. economy and of our Corporation as we enter the new decade. We estimate that vehicle sales for the industry in the U.S. in 1980 could approximate the 1979 total, with the selling rate in the latter part of the year at a substantially higher level than at the beginning of the year. Beyond that, we believe there is a continuing strong long-term demand for personal transportation.

In our product programs, in our investments in new tools and facilities, and in our ambitious expansions overseas, we have been fashioning General Motors in the image of the Eighties. When we talk about the Eighties and the challenges they hold, we are talking about a future rich with rewards for the successful competitor. Even as we continue to compete in the markets of the world, General Motors will not lose sight of its responsibilities to society in the employment and advancement of minorities and women, the conservation of energy, and respect for the environment. We intend to be such a responsible competitor, and your management has been taking the steps to ensure it.

Prepared and submitted by Order of the Board of Directors.

T. A. Murphy

Chairman

E. M. Estes

President

Review of Operations

In a year marked by extremes and uncertainties, worldwide unit sales of General Motors cars and trucks in 1979 declined from the record levels attained in 1978. Despite record sales in Canada and overseas, General Motors' overall sales declined due to a rapid shift in vehicle buying patterns in the United States. This led to a downturn in unit volume, which affected earnings and profitability accordingly.

Worldwide retail sales of 8.8 million new GM vehicles in 1979 were down 7% from the 1978 record. Unit sales in 1979, however, were still the third highest in GM's history. Of the estimated 38.0 million vehicles sold worldwide* in 1979, General Motors accounted for 23%, compared with 25% the preceding year.

GM Retail Sales in the U.S.

In the United States, total new car and truck sales for the industry (including foreign manufacturers) were slightly over 14.1 million units in 1979, down 8% from the 1978 record performance. GM dealers sold 6.3 million vehicles in the United States, accounting for 45% of U.S. sales. Total GM unit sales were 11% below the record of more than 7 million vehicles sold during the prior year.

GM retail sales of 4.9 million passenger cars were 9% below 1978, while truck sales of 1.4 million units were down 18%. The year-to-year drop was most evident in sales of light-duty trucks.

On a positive note, sales of General Motors' newly designed front-wheel-drive compact cars—the Chevrolet Citation, Pontiac Phoenix, Oldsmobile Omega, and Buick Skylark X-body models introduced in April—were up strongly over sales of their predecessors, with demand outpacing productive capacity. The restyled 1980-model Oldsmobile Cutlass and Buick Century four-door sedans, introduced in October, contributed to substantial increases in sales for these mid-size car lines. Chevrolet's Chevette again retained its position in 1979 as America's top-selling small car.

Pricing Actions in the U.S.

General Motors' pricing actions continue to reflect the very competitive automobile market and GM's pledge to the Council on Wage and Price Stability. As a result, GM's passenger car economic price increases totaled about 7% during the 1979 calendar year, despite economic cost increases of more than 12%.

*Estimated data exclude the Soviet Union, parts of Eastern Europe, and the People's Republic of China. Combined vehicle sales in these areas totaled approximately 4.0 million units in 1979.

 CHEVROLET CAPRICE CLASSIC Sedan

On January 2, 1980, an overall $138, or 1.6%, increase in suggested retail prices was implemented. Included in the price changes were significant reductions, from $70 to $170, in the suggested retail prices of most optional V8 engines. This increase provided only a partial recovery of GM's higher economic costs and was substantially below the maximum allowed under the Anti-Inflation Program Guidelines.

GM of Canada: Seventh Consecutive Record Year

In Canada, industry-wide retail sales of cars and trucks reached a new high of 1,396,000 units, surpassing the 1978 record by 28,000 units. Car sales topped one million units for the first time in history, up 1% over 1978, while record truck sales of 391,000 units were 4% above the previous high set in 1978.

Retail sales of cars and trucks by GM dealers in Canada established a record for the seventh consecutive year. Record GM passenger car deliveries of 470,200 units exceeded 1978 sales by 12%, as GM of Canada's percentage of Canadian car sales improved nearly 5 points to 47%. Record sales of 173,400 GM trucks were up 4% over 1978 and comprised 44% of industry truck sales in Canada.

PONTIAC FIREBIRD ESPRIT Coupe—YELLOW BIRD

BUICK REGAL Sport Coupe

Strong Overseas Sales Continue

Demand for General Motors vehicles overseas continued strong during 1979, resulting in a fourth consecutive record year. Retail sales of 1.9 million units (1,517,000 cars and 355,000 trucks) were slightly above 1978.

Vehicle sales by all manufacturers outside the United States and Canada (excluding the Soviet Union, parts of Eastern Europe, and the People's Republic of China) increased by 900,000 units to 22.4 million. GM accounted for 8.4% of the industry total, compared with 8.8% in 1978.

In Europe, combined retail sales of GM subsidiaries totaled 1.1 million cars and trucks, a decrease of 3% from 1978.

Adam Opel's retail sales in the Federal Republic of Germany totaled 474,000 units, an 8% decrease from the 1978 record. In August, Opel introduced its all-new front-wheel-drive Kadett models with notable market success, but sales of Opel's larger vehicles were adversely affected by consumer concern regarding sharply rising fuel prices.

In the United Kingdom, sales of cars and Bedford trucks produced by Vauxhall Motors Limited declined 9% from 1978 with sales of 165,000 units. Production stoppages due to strikes at Vauxhall and major suppliers caused the decline.

In a continuing program to improve its competitive position overseas, GM announced in June that it will build new assembly, manufacturing, and component facilities in Spain and a plant to manufacture automobile engines in Austria. Total investment in these and other European facilities will exceed $2 billion, the largest overseas expansion ever undertaken by GM. Production is scheduled to begin in Spain and Austria during late 1982.

In Australia, New Zealand, and other nations in the Pacific region, sales remained strong. The total of 246,000 units represented a 14% increase over 1978. With a strong product lineup, GM-Holden's Limited achieved a 7% increase in sales to some 160,000 units, despite a softening economy in Australia. General Motors announced plans to build a new plant near Melbourne, Australia to manufacture four-cylinder engines.

In Latin America, GM sales rose to 354,000 cars and trucks, a 3% increase over 1978. GM do Brasil S.A. had record sales for the second consecutive year with deliveries of approximately 190,000 units. General Motors also announced a major expansion in Brazil including the conversion of a former diesel engine manufacturing plant to the production of automotive gasoline engines. GM subsidiaries in Chile, Uruguay, and Venezuela also established records in retail sales.

GM acquired from Chrysler Corporation a car and truck assembly plant in Valencia, Venezuela, and a 77.4% equity interest in a car and truck assembly operation in Bogota, Colombia, a country where GM has not previously produced vehicles.

Retail sales of GM de Mexico, S.A. de C.V. increased by nearly 11% over 1978 to a record 57,000 units. Major expansion programs for the subsidiary announced during the year included increased assembly capacity and the addition of a new engine plant.

GM sales in the Middle East and Africa totaled 172,000 cars and trucks, down 2% from the 1978 sales level. In an uncertain economy, General Motors South African (Pty.) Limited sold 29,000 cars and trucks in 1979, a decline of 3% from 1978.

Sales of GM North American-produced cars and trucks continued to expand sub-

stantially around the world, with the largest gains recorded in Europe and in Latin America. Sales abroad of 224,000 North American vehicles in 1979 represented an increase of 12% over 1978.

In August, GM formed a wholly-owned trading subsidiary, Motors Trading Corporation, to assist in international trading activities, especially with nations experiencing a shortage of hard currency.

Record Power Products Sales

In 1979, worldwide dollar sales for GM's Power Products Group surpassed the record sales level achieved in 1978.

For the ninth consecutive year, unit sales of medium- and heavy-duty automatic transmissions at Detroit Diesel Allison Division registered an improvement. Sales of 148,000 diesel engines were up 4% over 1978, primarily due to increased sales of heavy-duty on-highway trucks. Reflecting GM's leadership in diesel engine production in North America, Detroit Diesel Allison introduced an all-new 8.2 liter diesel engine for medium-duty trucks. This engine is designed to provide up to a 50% improvement in fuel efficiency versus a gasoline engine in comparable applications.

Worldwide unit sales at Electro-Motive Division were 21% higher than in 1978, reflecting the strong demand for locomotives, components, and high horsepower diesel engines for industrial use and marine power applications. A major milestone was the beginning of production of all-electric locomotives for Amtrak passenger rail service.

Increased export sales of locomotives, together with the manufacture of military vehicles for the Canadian Armed Forces, contributed to a 50% increase in dollar sales over 1978 for GM of Canada's Diesel Division.

Despite a general softening in the U.S. market for earth-moving and road-building equipment, worldwide dollar sales at

OLDSMOBILE CUTLASS BROUGHAM Sedan

TEREX Division increased slightly over 1978 levels.

Sale of GM's Frigidaire appliance business to White Consolidated Industries, Inc. was completed with the signing of a definitive agreement in April 1979, after a favorable review by the U.S. Justice Department. Frigidaire manufacturing facilities near Dayton, Ohio, which were retained by GM, are being converted to the assembly of small trucks and diesel engines with the plants to be operated by Chevrolet Motor Division.

The Mandates and the Market

The steadily improving fuel economy of GM vehicles in the United States is demonstrated by comparison of 1980 models with those of earlier years. GM's 1979 corporate fleet average for passenger cars was 19.1 miles per gallon (mpg). The estimated GM corporate fleet average for 1980 is 21.5 mpg, an improvement of more than 2 mpg, or over 12%, compared with 1979 and an improvement of 79% over the 1974 model-year baseline. These improvements, which more than meet the increasingly stringent government regulations (19 mpg mandated for 1979 and 20 mpg for 1980), also reflect the ever more insistent marketplace demand for improved fuel economy.

Efforts to reach or exceed the 27.5 mpg average currently established for 1985 cars are complicated by the requirement to simultaneously meet more stringent exhaust emissions standards. (The situation for trucks is the same in principle, but different in detail and timing.)

Emissions standards for passenger cars were tighter for 1980 models than for 1979 and will be much more stringent in 1981. Meeting the standards has become more costly, without commensurate benefits for public health. Compliance with the standards will exact a fuel economy penalty estimated at 3% in 1980 when compared with 1979, and even with the introduction on 1981 models of an expensive new emission control system which will substantially offset this loss in fuel economy, the tighter 1981 standards are still expected to cause a net loss of a minimum of 1%, when compared with 1979. As permitted by law, GM requested continuation of the 1980 carbon monoxide (CO) standard through 1982 for the entire fleet. The Environmental Protection Agency (EPA) agreed to extend the 1980 CO standard for only a small percentage of GM's new cars.

Also, as permitted by law, the EPA has granted a two-year waiver on the oxides of nitrogen (NO_x) standard applicable only to the 5.7 liter diesel engine. GM expects to submit more data to the EPA on other diesel engine families that were denied this waiver. Even with the NO_x waiver, the exhaust particulate standards for diesel engines remain unresolved and could affect our ability to utilize fuel-efficient diesel engines in future years.

As increased fuel economy becomes even more imperative, diesel engines are planned to figure more prominently in GM's ability to provide customers with a complete range of passenger cars from which to choose.

Meanwhile, General Motors has taken another step in the use of a micro-computer engine control system which was offered on a limited number of 1979 gasoline-powered cars sold in California. The system

GMC RTS Bus

ELECTRO-MOTIVE GP40X Diesel Locomotives

controls air/fuel mixtures to a very high level of precision—a precision essential to meeting emissions standards. All 1980-model gasoline-powered GM cars offered for sale in California incorporate this system. In 1981, the system will be standard equipment nationwide on all GM gasoline-powered cars.

Passive Restraint Systems

GM has continued intensive efforts to improve automatic belt and inflatable restraint systems. One result was the introduction of a second-generation automatic belt option on the 1980 Chevrolet Chevette. The new system features an integral lap and shoulder belt restraint. A system similar in concept will be standard on all 1982 GM full-size cars.

Plans to introduce an inflatable restraint system as optional equipment on some 1981-model GM cars were postponed, pending further improvements in passenger-side inflatable restraint performance. Significant progress has now been realized, and GM plans to have a full front-seat inflatable restraint system available as optional equipment on most 1982 full-size cars. Both the inflatable restraint and automatic belt qualify as "passive" restraints, as required on all full-size cars for model-year 1982. The requirement for passive restraints is extended to mid-size and com-


CHEVROLET C20 SUBURBAN SILVERADO

pact cars in 1983 and to subcompact cars in 1984.

In keeping with the designation of 1979 as the International Year of the Child, GM made a special effort, through an advertising campaign, to make parents aware of the need to utilize child seats and infant carriers to protect children traveling in automobiles. The new automatic belt system offered on the 1980 Chevette was designed with special provisions for restraining children.

Capital Expenditures Again Set Record

Product programs necessary to meet government standards, respond to the demands of the marketplace, and improve GM's competitive position worldwide, require continuing unprecedented and accelerating capital expenditures. Worldwide capital expenditures for facilities and tools to build the new products being introduced and to provide for anticipated long-term productive capacity requirements totaled a record $5.4 billion in 1979. This was $0.8 billion more than in 1978, the prior record year, and more than double the amount spent in any year prior to 1977. Moreover, there is no foreseeable reduction in the level of these expenditures. On the contrary, we anticipate that our capital expenditure requirements in current dollars could exceed $7.0 billion in 1980.

The bulk of capital spending in 1979 occurred in the United States and provided for new product programs, as well as plant construction and modernization. Major facilities completed, under construction, or announced, included plants in Oklahoma City, Oklahoma; Shreveport, Louisiana; Wichita Falls, Texas; Three Rivers, Romulus, Coopersville, and Lansing, Michigan; Albany, Georgia; and Bowling Green, Kentucky.

In addition to production facilities, other major construction projects in 1979 in-

PONTIAC BONNEVILLE BROUGHAM Sedan

BUICK LeSABRE LIMITED Coupe

cluded a new GM Assembly Division headquarters building, a newly-opened Service Development Center, and a wind tunnel for improving vehicle aerodynamics, all located at the General Motors Technical Center in Warren, Michigan.

An increasing proportion of GM's capital spending is for requirements outside the United States. Key projects include GM of Canada expansions under way in Windsor and St. Catharines, Ontario, as well as those in Australia, Austria, Brazil, Mexico, and Spain, as described previously.

Litigation

In 1979, seven purported class actions were instituted against GM involving its 200 series transmissions. Essentially, the lawsuits claim the 200 is of lesser quality than our 350 series transmissions and that General Motors did not inform purchasers that the 200 was used in some car lines that had been equipped with the 350 in prior years. It is also claimed that the 200 is not suitable for use in full-size cars. In addition to the lawsuits, the Federal Trade Commission has announced an investigation of the 200.

GM has denied the charges made against the 200 transmission and is vigorously defending the lawsuits. The 200, which was introduced in the 1976 model year, incorporates costly and innovative state-of-the-art technology and is designed, like many other GM components, for use in a variety of vehicles. This is accomplished by designing various models of the 200 for different vehicle applications. The 200 model used in small cars, for example, differs significantly from that used in GM's full-size 1977 "B" cars, which represented an entirely new vehicle design with substantial weight reduction from the 1976 models they replaced. The 200 model used in these redesigned full-size cars contributed about 30 pounds to that weight reduction.

Various other claims and legal proceedings are pending against GM and its subsidiaries which seek damages in very large amounts. A reference to these appears in Note 14 of the Notes to Financial Statements, page 25.

CHEVROLET CITATION 4-Door Hatchback Sedan

People of GM

Employment and Payrolls

GM's worldwide employment and payrolls rose to new record levels in 1979, reflecting strong unit production during the first half of the year. Average worldwide employment totaled approximately 853,000 men and women, with payrolls amounting to $18.9 billion, including 14,300 employes of GM's financing and insurance subsidiaries, whose payroll amounted to $271.6 million. Average worldwide employment in 1978 was 839,000 and payrolls totaled $17.2 billion, including 14,000 financing and insurance subsidiary employes with a payroll of $243.0 million.

GM's average U.S. hourly-rate employment in 1979 was 468,000 men and women and payrolls totaled $11.0 billion, compared with 466,000 employes and payrolls of $10.3 billion in 1978. GM's hourly-rate labor costs in 1979, including benefits, were approximately $15.25 per hour worked, compared with $13.75 per hour during 1978.

Benefit Plan Contributions

GM's contributions for pension plans, health-care coverages, and other employe benefit programs in the United States totaled $3.7 billion in 1979, compared with the previous record high of $3.4 billion in 1978. Of this total, pension plan contributions amounted to $1.4 billion, and the cost of providing health-care coverages also amounted to $1.4 billion. The cost of other benefit programs, such as life insurance, sickness and accident insurance, Supplemental Unemployment Benefits, and the Savings-Stock Purchase Program, totaled $0.9 billion in 1979.

Equal Employment Opportunity

GM remains committed to the concept of equal employment opportunity. While the downturn in market conditions has made some reduction in U.S. employment temporarily necessary, representation of minorities and women at year-end 1979 was substantially unchanged from 1978.

At the end of 1979, minorities represented 19% of GM's total U.S. work force, compared with 20% a year earlier. At year-end 1979, minorities accounted for 12% of white-collar employment and 22% of blue-collar employment, both unchanged from the end of 1978. Employment of women remained at 18% of GM's U.S. employment. Representation of women rose from 22% of white-collar employment at the end of 1978 to 23% at the end of 1979. Women accounted for 17% of blue-collar employment at year-end 1978 and 1979.

Improvements for U.S. Salaried Employes

Substantial improvements in salaries and benefits were made for U.S. salaried employes during 1979:

- Salaries will continue to be reviewed individually to establish equitable relationships commensurate with responsibilities and performance.
- A portion of the Cost of Living Allowance (COLA) was transferred into base salaries effective October 1, 1979 which resulted in salary increases and improved levels of benefit coverages for eligible salaried employes. Improvements will be made in the COLA formula beginning in 1981.
- Retirement Program benefits were substantially increased for both present and future retirees.
- Corporation contributions to the Savings-Stock Purchase Program were increased.
- The number of supplemental time-off days has been increased substantially for all eligible salaried employes.
- Hospital-surgical-medical-dental coverages and the comprehensive medical

expense insurance program were improved.

- Available optional dependent group life insurance coverage was increased, and employe contributions for optional group life insurance were lowered.

The Retirement Program and Savings-Stock Purchase Program provisions are subject to approval at the next stockholders' meeting.

New U.S. Labor Agreement

A new three-year agreement covering GM employes in the United States represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) was reached on September 14, 1979.

Settlement with the UAW in the U.S. set the pattern for similar agreements which GM negotiated soon after with the UAW in Canada, with the International Union of Electrical, Radio and Machine Workers, AFL-CIO-CLC (IUE), and with several other unions representing certain of the Corporation's employes in the United States and Canada. Wage and benefit increases for these employes closely paralleled those provided by the U.S. agreement between GM and the UAW.

Following is a summary of the principal provisions of the new UAW agreement (the pension provisions are subject to approval at the next stockholders' meeting):

- Wage increases ranging from 43 to 58 cents per hour were granted effective September 17, 1979, for the first year of the contract, and general wage increases of an additional 3% will become effective in each of the next two years.
- $1.32 of the $1.37 per hour Cost of Living Allowance (COLA) was transferred to base wage rates, effective with the start of the new agreement.
- The current COLA formula, which provides one cent per hour for each 0.3 point change in the Consumer Price Index (CPI), will be continued until the third year of the agreement, when the formula will be changed to provide an increase of one cent per hour for each 0.26 point change in the CPI.
- Up to 14 cents per hour will be diverted from COLA payments to help offset the cost of the comprehensive benefit improvements under the new agreement.
- Employes will be eligible for eight paid personal holidays in 1980 and nine days each in 1981 and 1982. This compares with seven days in 1979.
- Pension benefits for both future and present retirees were substantially increased effective October 1, 1979, and will be increased periodically over the term of the agreement.
- Vision-care coverage was extended to retirees, effective October 1, 1980.
- The schedule of GM contributions to the Supplemental Unemployment Benefit Plans will be increased slightly in each year of the agreement.
- Hourly employes in the U.S. became eligible to participate in an Employe Stock Ownership Plan financed through a tax credit made available under Federal legislation. The Plan is identical to that available to certain General Motors salaried employes.

GMC ASTRO 95 Special Series

Financial Review

Factory Unit and Dollar Sales

Worldwide factory sales of GM cars and trucks in 1979 totaled 8,993,000 units, 5% below the record year of 1978.

Worldwide dollar sales of GM products in 1979 were a record $66.3 billion, compared with the previous record $63.2 billion achieved in 1978.

The increase of $3.1 billion in worldwide dollar sales includes $5.7 billion of worldwide price adjustments partially offset by the decreased unit volume. In spite of intensive cost-reduction efforts, cost increases continued to exceed price adjustments and, thereby, resulted in a further reduction in the Corporation's net income as a percent of sales.

The table below shows the percentage contribution to GM's total worldwide dollar sales, before elimination of inter-area sales, by U.S., Canadian, and overseas operations. Automotive products accounted for 94% of total dollar sales.

Earnings

Net income in 1979 totaled $2,892.7 million and earnings on common stock were

TEREX 72-21B Front-end Loader

Worldwide Factory Sales (Units In Thousands)

	CARS		TRUCKS	
	1979	1978	1979	1978
United States	5,084	5,292	1,361	1,586
Canada	556	569	287	284
Overseas*	1,361	1,412	344	339
Total	7,001	7,273	1,992	2,209

*Includes units manufactured by Isuzu Motors Limited under contract for and marketed by General Motors.

Percentage of Worldwide Dollar Sales

	1979	1978
United States	73%	75%
Canada	11	10
Overseas	16	15
Total	100%	100%
Automotive	94%	93%
Nonautomotive	6	7
Total	100%	100%

Percentage of Net Income Attributable to:

	1979	1978
United States	79%	87%
Canada	8	5
Overseas	13	8
Total	100%	100%
Automotive	90%	96%
Nonautomotive	10	4
Total	100%	100%

$10.04 per share, compared with the record levels of $3,508.0 million and $12.24 per share, respectively, established in 1978.

Net income estimated to be attributable to U.S. operations in 1979, as shown in the table on page 14, was 79% of the total, compared with 87% in 1978, reflecting the decreased volume in United States sales. Net income of Canadian and overseas operations increased to 8% and 13% of net income, respectively, reflecting higher sales in 1979 versus 1978. Automotive products accounted for 90% of total net income.

The $2.20 per share decrease in earnings in 1979 is more than accounted for by lower unit volume and a less favorable product mix (amounting to about $1.90 per share), together with cost increases (such as labor, materials, and energy) which, due to competitive market conditions, were not fully recovered by price adjustments. Earnings were also adversely affected by increased sales incentive program activity and operating inefficiencies experienced in the latter half of 1979 resulting from temporary plant shutdowns which were required to bring inventories more in line with consumer buying patterns.

Net income as a percent of sales dropped to 4.4% in 1979, compared with 5.5% in 1978. As recently as 1965, the profit margin was 10.3%.

In comparison, the increase in earnings of $0.62 per share in 1978 over 1977, was more than accounted for by higher unit volume and improved product mix of about $2.00 per share. These favorable factors were partially offset by the impact of increased costs not fully recovered in product pricing. Earnings were also adversely impacted by higher costs for special tools and facilities associated with new-model programs, as well as provisions for the liquidation of GM's Argentine automotive operations, and the discontinuance of appliance manufacturing operations at Frigidaire.

GM's financing and insurance operations, represented by General Motors Acceptance Corporation and its subsidiaries, reported a consolidated net income for 1979 of $224.1 million, a 2% decrease from 1978 record income of $229.6 million. This decrease principally reflects substantially higher interest rates on the worldwide borrowings, partially offset by increased financing rates and increased premiums.

Dividends

Dividends per share in 1979 totaled $5.30 compared to $6.00 in 1978 and $6.80 per share paid in 1977. The Corporation's policy is to distribute from current earnings such amounts as the outlook and the indicated capital needs of the business permit. In this regard, a strong capital position must be maintained in order to meet the greatly increased capital expenditures forecast for the years ahead. These expenditures are significantly affected by the necessity to meet extensive government-mandated standards for safety, fuel economy, and emissions.

Taxes

General Motors' provision for U.S., foreign and other income taxes, as well as state and local taxes and applicable payroll taxes, totaled $4,508.0 million in 1979, versus the record of $5,336.4 million established in 1978.

Taxes represent the third largest cost element experienced by the Corporation, exceeded only by employe payrolls and payments made to our suppliers. The significance of GM's tax burden is illus-

OLDSMOBILE NINETY-EIGHT REGENCY Coupe


CADILLAC SEDAN DeVILLE

trated by comparing it with the level of dividends paid to stockholders. In 1979, GM's common stockholders received $5.30 per share on their investment. During the same period, governments at all levels were paid taxes equivalent to more than $15.72 per share.

The escalating burden of taxation, both foreign and domestic, imposed on business and industry by government at all levels continues to be a major concern of General Motors. Excessive taxes serve only to hamper progress toward achieving a balanced growth economy.

Plants, Equipment, and Special Tools

Worldwide expenditures for plants and equipment totaled $3,371.8 million in 1979, an increase of 23% over the 1978 amount of $2,737.8 million. These increased expenditures provided for capacity expansion, modernization, plant replacements, and new-model programs to meet the need for a more fuel-efficient fleet. Of these expenditures, approximately 74% were made in the United States, 4% in Canada, and 22% overseas.

Depreciation charged to income in 1979 was $1,236.9 million, compared with $1,180.6 million in 1978.

Expenditures for special tools were $2,015.0 million in 1979 versus $1,826.7 million in 1978. Tool amortization amounted to $1,950.4 million in 1979 and $1,855.7 million in 1978.

Common Stockholders' Equity

The equity of the holders of General Motors common stock is represented by common stock, capital surplus, and net income retained for use in the business. This amounted to $18,895.7 million at the end of 1979, compared with $17,286.3 million at the end of 1978. Book value per share of General Motors common stock increased to $64.61 at the end of 1979, from $60.01 at the end of 1978. Net income as a percent of stockholders' equity was 15.1% in 1979, compared with 20.0% in 1978.

Working Capital

Working capital at December 31, 1979 totaled $6,688.2 million, a decrease of $1,260.7 million from the $7,948.9 million at December 31, 1978. The decrease in 1979 is more than accounted for by the $2,032.6 million increase in net property and special tools. A statement setting forth the change in working capital by element appears on page 20.

Fourth Quarter Results

The fourth quarter results of 1979 in comparison to the record fourth quarter of 1978 are summarized at the right. The decrease in earnings of $2.05 per share in the fourth quarter of 1979 from the comparable 1978 period resulted from lower unit volume, a less favorable mix of products sold, and increased economic costs not recoverable through pricing. The effective income tax rate of 28.9% for the quarter was lower than usual due principally to a combination of the lower level of earnings, the continuing high level of the U.S. investment tax credits, and lower foreign taxes.

Fourth Quarter	1979	1978
Worldwide Factory Sales (in thousands)	2,095	2,511
Dollar Sales (in millions)	$16,117.7	$17,744.5
Net Income Amount (in millions)	$426.1	$1,004.2
As a Percent of Sales	2.6%	5.7%
Income Taxes (in millions)	$159.5	$903.7
Earnings Per Share	$1.46	$3.51
Dividends Per Share	$1.50	$2.50
Worldwide Employment (in thousands)	839	876
Worldwide Payrolls (in millions)	$4,541.8	$4,649.3
Payrolls as a Percent of Sales	28.2%	26.2%
Average U.S. Hourly-Rate Labor Costs Including Benefits	$16.00	$14.25
U.S. Hourly-Rate Employment (in thousands)	454	497

PONTIAC GRAND PRIX LJ Coupe

Consolidated Financial Statements

Responsibilities for Financial Statements

The following financial statements of General Motors Corporation and Consolidated Subsidiaries were prepared by the management which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on judgments of management.

Management is further responsible for maintaining a system of internal accounting controls, designed to provide reasonable assurance that the books and records reflect the transactions of the companies and that its established policies and procedures are carefully followed. The system is continually reviewed for its effectiveness and is augmented by written policies and guidelines, the careful selection and training of qualified personnel, and a strong program of internal audit.

Deloitte Haskins & Sells, independent certified public accountants, are engaged to examine the financial statements of General Motors Corporation and its subsidiaries and issue reports thereon. Their examination is conducted in accordance with generally accepted auditing standards and includes a review of internal accounting controls and a test of transactions. The Accountants' Report appears on page 25.

The Board of Directors, through the Audit Committee of the Board, is responsible for: (1) assuring that management fulfills its responsibilities in the preparation of the financial statements; and (2) for engaging the independent public accountants with whom the Committee reviews the scope of the audits and the accounting principles to be applied in financial reporting. The Audit Committee, which is composed entirely of non-employe Directors, meets regularly (separately and jointly) with the independent public accountants, representatives of management, and the internal auditors to review the activities of each and to ensure that each is properly discharging its responsibilities. To ensure complete independence, Deloitte Haskins & Sells have full and free access to meet with the Audit Committee, without management representatives present, to discuss the results of their examination and their opinions on the adequacy of internal accounting controls and the quality of financial reporting.

T. A. Murphy

Chairman

R. B. Smith

Chief Financial Officer

Statement of Consolidated Income

For The Years Ended December 31, 1979 and 1978
(Dollars in Millions Except Per Share Amounts)

	1979	1978
Net Sales	$66,311.2	$63,221.1
Equity in earnings of nonconsolidated subsidiaries and associates (dividends received amounted to $112.8 in 1979 and $123.7 in 1978)	218.3	253.0
Other income less income deductions—net (Note 2)	191.9	(141.4)
Total	66,721.4	63,332.7
Costs and Expenses		
Cost of sales and other operating charges, exclusive of items listed below	55,848.7	51,275.7
Selling, general and administrative expenses	2,475.5	2,255.8
Depreciation of real estate, plants and equipment	1,236.9	1,180.6
Amortization of special tools	1,950.4	1,855.7
Provision for the Bonus Plan (Note 3)	133.8	168.4
United States, foreign and other income taxes (Note 5)	2,183.4	3,088.5
Total	63,828.7	59,824.7
Net Income	2,892.7	3,508.0
Dividends on preferred stocks	12.9	12.9
Earned on Common Stock	$ 2,879.8	$ 3,495.1
Average number of shares of common stock outstanding (in millions)	286.8	285.5
Earned Per Share of Common Stock (Note 6)	$10.04	$12.24

Reference should be made to notes on pages 21 through 25.

Consolidated Balance Sheet

December 31, 1979 and 1978
(Dollars in Millions)

Assets	1979	1978
Current Assets		
Cash	$ 247.1	$ 177.3
United States Government and other marketable securities and time deposits—at cost, which approximates market:		
Held for payment of income taxes	373.0	791.3
Other	2,366.3	3,086.2
Accounts and notes receivable (Note 7)	5,030.4	5,638.7
Inventories	8,076.3	7,576.7
Prepaid expenses	463.4	729.3
Total Current Assets	16,556.5	17,999.5
Investments and Miscellaneous Assets (Note 8)	3,828.2	2,812.1
Common Stock Held for the Incentive Program (Note 3)	192.9	181.1
Property		
Real estate, plants and equipment (Note 10)	24,879.4	22,052.0
Less accumulated depreciation (Note 10)	14,298.2	13,438.8
Net real estate, plants and equipment	10,581.2	8,613.2
Special tools—less amortization	1,057.0	992.4
Total Property	11,638.2	9,605.6
Total Assets	$32,215.8	$30,598.3

Liabilities and Stockholders' Equity	1979	1978
Current Liabilities		
Accounts, drafts and loans payable	$ 4,305.4	$ 4,612.4
United States, foreign and other income taxes payable	478.6	944.8
Accrued liabilities	5,084.3	4,493.4
Total Current Liabilities	9,868.3	10,050.6
Long-Term Debt—less unamortized discount (Note 11)	880.0	978.9
Other Liabilities	1,551.6	1,384.4
Deferred Investment Tax Credits	651.7	519.9
Other Deferred Credits	84.9	94.6
Stockholders' Equity (Notes 3 and 12)		
Preferred stock ($5.00 series, $183.6; $3.75 series, $100.0)	283.6	283.6
Common stock	487.4	480.1
Capital surplus (principally additional paid-in capital)	1,034.6	792.0
Net income retained for use in the business	17,373.7	16,014.2
Total Stockholders' Equity	19,179.3	17,569.9
Total Liabilities and Stockholders' Equity	$32,215.8	$30,598.3

Reference should be made to notes on pages 21 through 25.

Statement of Changes in Consolidated Financial Position

For The Years Ended December 31, 1979 and 1978
(Dollars in Millions)

	1979	1978
Source of Funds		
Net income	$2,892.7	$3,508.0
Depreciation of real estate, plants and equipment	1,236.9	1,180.6
Amortization of special tools	1,950.4	1,855.7
Deferred income taxes, undistributed earnings of nonconsolidated subsidiaries and associates, etc.—net	(321.2)	(64.6)
Total current operations	5,758.8	6,479.7
Proceeds from issuance of long-term debt	41.3	111.9
Proceeds from disposals of property—net	166.9	125.5
Proceeds from sale of newly issued common stock	249.9	20.5
Other—net	125.4	273.8
Total	6,342.3	7,011.4
Application of Funds		
Dividends paid to stockholders	1,533.2	1,725.5
Expenditures for real estate, plants and equipment	3,371.8	2,737.8
Expenditures for special tools	2,015.0	1,826.7
Investments in nonconsolidated subsidiaries and associates	542.8	201.6
Retirements of long-term debt	140.2	201.2
Total	7,603.0	6,692.8
Increase (Decrease) in working capital	(1,260.7)	318.6
Working capital at beginning of the year	7,948.9	7,630.3
Working capital at end of the year	$6,688.2	$7,948.9
Increase (Decrease) in Working Capital by Element		
Cash, marketable securities and time deposits	($1,068.4)	$ 814.8
Accounts and notes receivable	(608.3)	957.6
Inventories	499.6	401.0
Prepaid expenses	(265.9)	(131.1)
Accounts, drafts and loans payable	307.0	(893.3)
United States, foreign and other income taxes payable	466.2	(57.3)
Accrued liabilities	(590.9)	(773.1)
Increase (Decrease) in working capital	($1,260.7)	$ 318.6

Reference should be made to notes on pages 21 through 25.

Notes to Financial Statements

Note 1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all domestic and foreign subsidiaries which are more than 50% owned and engaged principally in manufacturing or wholesale marketing of General Motors products. General Motors' share of earnings or losses of nonconsolidated subsidiaries and of associates in which at least 20% of the voting securities is owned is generally included in consolidated income under the equity method of accounting. Intercompany items and transactions between companies included in the consolidation are eliminated and unrealized intercompany profits on sales to nonconsolidated subsidiaries and to associates are deferred.

Income Taxes

Investment tax credits are deducted in determining taxes estimated to be payable currently and are deferred and amortized over the lives of the related assets. The tax effects of timing differences between pretax accounting income and taxable income (principally related to depreciation, sales and product allowances, undistributed earnings of subsidiaries and associates, and benefit plans expense) are deferred, except that the tax effects of certain expenses charged to income prior to 1968 have not been deferred but are recognized in income taxes provided at the time such expenses become allowable deductions for tax purposes. Provisions are made for estimated United States and foreign taxes, less available tax credits and deductions, which may be incurred on remittance of the Corporation's share of subsidiaries' undistributed earnings less those deemed to be permanently reinvested. Possible taxes, beyond those provided, would not be material.

Inventories

Inventories are stated generally at cost, which is not in excess of market. The cost of substantially all domestic inventories was determined by the last-in, first-out (LIFO) method, which was adopted in 1976. If the first-in, first-out (FIFO) method of inventory valuation had been used by the Corporation for U.S. inventories, it is estimated they would be $1,603.1 million higher at December 31, 1979, compared with $1,097.7 million higher at December 31, 1978. The cost of inventories outside the United States was determined generally by the FIFO or the average cost method.

Property, Depreciation and Amortization

Property is stated at cost. Maintenance, repairs, rearrangement expenses, and renewals and betterments which do not enhance the value or increase the basic productive capacity of the assets are charged to costs and expenses as incurred.

Depreciation is provided on groups of property using, with minor exceptions, an accelerated method which accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property. The annual group rates of depreciation are as follows:

Classification of Property	*Annual Group Rates*
Land improvements	5%
Buildings	3½%
Machinery and equipment	8⅓% (Average)
Furniture and office equipment	6% (Average)

Expenditures for special tools are amortized, with the amortization applied directly to the asset account, over short periods of time because the utility value of the tools is radically affected by frequent changes in the design of the functional components and appearance of the product. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Pension Program

The Corporation and its subsidiaries have a number of pension plans covering substantially all employes. Benefits under the plans are generally related to an employe's length of service, wages and salaries, and, where applicable, contributions. The costs of these plans are determined on the basis of actuarial cost methods and include amortization of prior service cost over periods not exceeding 30 years. With the exception of certain overseas subsidiaries, pension costs accrued are funded.

Product Related Expenses

Expenditures for advertising and sales promotion and for other product related expenses are charged to costs and expenses as incurred; provisions for estimated costs related to product warranty are made at the time the products are sold.

Expenditures for research and development are charged to expenses as incurred and amounted to $1,949.8 million in 1979 and $1,633.1 million in 1978.

Foreign Exchange

All exchange and translation activity is included in cost of sales and amounted to gains of $83.7 million in 1979 and $62.7 million in 1978.

Note 2. Other Income Less Income Deductions (Dollars in Millions)

	1979	1978
Other income:		
Interest income	$507.0	$358.6
Other	72.2	66.1
Income deductions:		
Interest on long-term debt	(95.4)	(90.0)
Other interest	(273.0)	(265.9)
Other	(18.9)	(210.2)[1]
Net	$191.9	($141.4)

[1] Principally provision for cost of liquidation of Argentine automotive operations and discontinuance of appliance manufacturing at Frigidaire.

Note 3. Incentive Program

The Incentive Program consists of the General Motors Bonus Plan, first approved by stockholders in 1918, and the General Motors Stock Option Plans, adopted in 1957 and 1977. The By-Laws provide that the Plans shall be presented for action at a stockholders' meeting at least once in every five years. The Incentive Program was last approved by stockholders at the 1977 Annual Meeting.

The Corporation maintains a reserve for purposes of the Bonus Plan to which may be credited each year an amount which the independent public accountants of the Corporation determine to be 8% of the net earnings which exceed 7% but not 15% of net capital, plus 5% of the net earnings which exceed 15% of net capital, but not in excess of the amount paid out as dividends on the common stock during the year. However, for any year the Bonus and Salary Committee may direct that a lesser amount be credited. Bonus awards under the Bonus Plan and such other amounts arising out of the operation of the Incentive Program as the Committee may determine are charged to the reserve.

For the year 1979, the Bonus and Salary Committee directed a credit to the Reserve for the Bonus Plan of $133.8 million (the maximum permitted under the Bonus Plan formula as determined by the independent public accountants) as set forth in the following table:

(Dollars in Millions Except Per Share Amount)	
Computation of Net Capital	
Stockholders' equity and long-term debt of General Motors Corporation at December 31, 1978	$18,281.3
Add proportionate allowance for changes during 1979 in capital stock, capital surplus and long-term debt—net	46.6
Net capital (as defined in the Bonus Plan)	$18,327.9
Computation of Net Earnings	
Net income for 1979	$ 2,892.7
Add provision for Bonus Plan	133.8
Add interest and discount on long-term debt	54.1
Deduct loss of rights to prior years' bonus awards and contingent credits included in income	.5
Deduct prior unawarded bonus reserve restored to income	1.6
Net earnings (as defined in the Bonus Plan)	3,078.5
Deduct 7% of net capital (equivalent to $4.25 per share of common stock)	1,283.0
Net earnings for bonus credit calculation	$ 1,795.5
Maximum Amount Which Could be Credited to Reserve	
8% of the net earnings between 7% and 15% of net capital	$ 117.3
5% of the net earnings which exceed 15% of net capital	16.5
Total amount available in the reserve for awards under the Bonus Plan	$ 133.8

As indicated in the preceding table, the total unawarded reserve carried forward from 1978 in the amount of $1.6 million was, in accordance with action taken by the Bonus and Salary Committee, restored to income in 1979, but was not included in net earnings for that year in determining the provision for the Bonus Plan. As a result, the total amount available for distribution will be the aforementioned $133.8 million. Subject to final determination, the Committee has tentatively directed that the total of individual awards shall approximate the amount of the credit to the reserve related to 1979. As a result of tentative determinations of awards by the Committee, the amount provided was transferred to current liabilities and other liabilities at December 31, 1979.

If participants in the Bonus and Stock Option Plans fail to meet conditions precedent to receiving undelivered instalments of bonus awards (and contingent credits related to the Stock Option Plan prior to 1977), the amount of any such instalments is credited to income. Upon the exercise of stock options, any related contingent credits are proportionately reduced and the amount of the reduction is credited to income.

Changes during 1979 in the status of options granted under the Stock Option Plans are shown in the following table. The option prices are 100% of the average of the highest and lowest sales prices of General Motors common stock on the dates the options were granted as reported (1) on the New York Stock Exchange for options granted prior to 1976, and (2) on the Composite Tape of transactions on all major exchanges and non-exchange markets in the U.S. for options granted in 1976 and subsequent years. The options outstanding at December 31, 1979 expire ten years from date of grant. All options are subject to earlier termination under certain conditions.

The Corporation intends to deliver newly issued stock upon the exercise of any of the outstanding options. The maximum number of shares for which additional options might be granted under the Plan was 1,904,325 at January 1, 1979 and 1,582,170 at December 31, 1979.

		Shares Under Option				
			Changes During Year			
Year Granted	Option Price	Jan. 1, 1979	Granted	Exercised	Terminated	Dec. 31, 1979
1973	$73.38	134,106	—	—	24,288	109,818
1974	50.00	196,786	—	—	35,214	161,572
1976	65.19	129,786	—	—	11,982	117,804
1977	66.57	279,920	—	—	19,125	260,795
1978	63.75	315,755	—	—	10,185	305,570
1979	59.50	—	351,940	—	475	351,465
Total		1,056,353	351,940	—	101,269	1,307,024

Common stock held for the Incentive Program is exclusively for payment of liabilities under the Incentive Program and is stated substantially at cost.

	1979		1978	
(Dollars in Millions)	Shares	Amount	Shares	Amount
Balance at Jan. 1	2,787,740	$181.1	2,136,633	$146.5
Acquired during the year	1,192,566	68.8	1,338,698	81.6
Delivered to participants	(871,990)	(57.0)	(687,591)	(47.0)
Balance at Dec. 31	3,108,316	$192.9	2,787,740	$181.1

Note 4. Pension Program

The total pension expense of the Corporation and its consolidated subsidiaries amounted to $1,571.5 million in 1979 and $1,326.7 million in 1978. In the United States, the market value of trusteed pension funds totaled $8,437.6 million, and assets held under the insured part of the salaried employes' program totaled $2,500.8 million at December 31, 1979.

Late in 1979, the plans in the United States and Canada were amended, subject to stockholders' approval and favorable income tax rulings, to provide for increased benefits. Including the increased benefits, the actuarially computed value of vested benefits of all plans exceeded the total of pension funds, at market, and balance sheet accruals as of December 31, 1979 by about $6.1 billion. This amount represents the unfunded portion of the actuarially computed present value of pension benefits to which employes are entitled based on service as of December 31, 1979, and is calculated as if all employes were to terminate service as of that date. This figure is in excess of the estimated liability for benefits guaranteed under the Employee Retirement Income Security Act (ERISA) in the event of plan termination.

Notes to Financial Statements (continued)

Note 5. United States, Foreign and Other Income Taxes (Dollars in Millions)

	1979	1978
Taxes estimated to be payable currently (1):		
United States Federal	$1,578.7	$2,259.3
Foreign	412.9	511.0
Other	127.9	300.5
Total	2,119.5	3,070.8
Taxes deferred—net:		
United States Federal	51.5	(159.3)
Foreign	(126.4)	41.3
Other	7.0	(16.0)
Total	(67.9)	(134.0)
Investment tax credits deferred—net:		
United States Federal	116.5	149.7
Foreign	15.3	2.0
Total	131.8	151.7
Total	$2,183.4	$3,088.5

(1) Investment tax credits deducted in determining taxes estimated to be payable currently amounted to $290.7 million in 1979 and $293.7 million in 1978.

The consolidated effective tax rate was different than the United States statutory rate for the reasons set forth in the table below:

	1979	1978
Statutory income tax rate	46.0%	48.0%
Investment tax credits—net	(3.4)	(1.7)
Foreign tax rate differential	1.4	(0.5)
State and local income taxes	1.5	2.3
Other adjustments	(0.6)	0.6
Effective income tax rate	44.9%	48.7%

Note 6. Earnings Per Share

Earnings per share of common stock are based on the average number of shares outstanding during each year. The effect on earnings per share resulting from the assumed exercise of outstanding options and delivery of bonus awards and contingent credits under the Incentive Program is not material.

Note 7. Accounts and Notes Receivable (Dollars in Millions)

	1979	1978
GMAC and subsidiaries (relating to current wholesale financing of sales of GM products, etc.)	$2,274.0	$2,893.5
Other trade and sundry receivables (less allowances)	2,756.4	2,745.2
Total	$5,030.4	$5,638.7

Note 8. Investments and Miscellaneous Assets (Dollars in Millions)

	1979	1978
Nonconsolidated subsidiaries:		
GMAC and subsidiaries (Note 9)	$2,627.9	$2,005.8
Other domestic and foreign subsidiaries	80.5	60.9
Associates (interests in overseas companies)	111.8	95.6
Other investments and miscellaneous assets—at cost (less allowances)	1,008.0	649.8
Total	$3,828.2	$2,812.1

Note 9. General Motors Acceptance Corporation and Subsidiaries
Condensed Consolidated Balance Sheet (Dollars in Millions)

	1979	1978
Cash	$ 396.4	$ 484.5
Marketable Securities (market value, 1979—$941.9; 1978—$594.4)	930.8	567.5
Finance Receivables (including instalments maturing after one year: 1979—$13,017.3; 1978—$10,343.0; less unearned income: 1979—$2,665.6; 1978—$1,977.8 and allowance for financing losses: 1979—$281.4; 1978—$216.9)	31,007.9	25,622.7
Insurance Receivables, Unamortized Debt Expense, and Other Assets	255.8	228.7
Total Assets	$32,590.9	$26,903.4
Notes, Loans and Debentures Payable Within One Year (less unamortized discount)	$16,913.5	$12,058.4
Accounts Payable and Other Liabilities		
General Motors Corporation and affiliated companies	2,274.0	2,893.5
Other	1,393.2	1,105.8
Notes, Loans and Debentures Payable After One Year	7,433.3	7,165.3
Subordinated Indebtedness Payable After One Year	1,949.0	1,674.6
Total Liabilities	29,963.0	24,897.6
Stockholder's Equity		
Preferred stock, $100 par value (6% cumulative, $75.0; 7¼% cumulative, $35.0)	110.0	110.0
Common stock, $100 par value	1,465.0	965.0
Net income retained for use in the business (including net income: 1979—$224.1; 1978—$229.6; less cash dividends: 1979—$102.0; 1978—$112.0)	1,052.9	930.8
Total Stockholder's Equity	2,627.9	2,005.8
Total Liabilities and Stockholder's Equity	$32,590.9	$26,903.4

Notes to Financial Statements (continued)

Note 10. Real Estate, Plants and Equipment and Accumulated Depreciation (Dollars in Millions)

	1979	1978
Real estate, plants and equipment:		
Land	$ 304.4	$ 268.0
Land improvements	808.3	719.3
Leasehold improvements—less amortization	25.4	22.3
Buildings	5,498.7	4,975.4
Machinery and equipment	16,131.0	14,434.1
Furniture and office equipment	392.6	317.9
Construction in progress	1,719.0	1,315.0
Total	$24,879.4	$22,052.0
Accumulated depreciation:		
Land improvements	$ 463.8	$ 430.6
Buildings	3,132.0	2,964.9
Machinery and equipment	10,461.0	9,832.3
Furniture and office equipment	192.1	161.7
Extraordinary obsolescence	49.3	49.3
Total	$14,298.2	$13,438.8

Note 11. Long-Term Debt (Excluding Current Portion) (Dollars in Millions)

		1979	1978
GM—U.S. dollars:			
8.05% Notes	1985	$300.0	$300.0
8⅝% Debentures	2005	300.0	300.0
Other	1981-2000	75.0	77.7
Consolidated subsidiaries:			
United States dollars	1981-86	128.5	231.9
British pounds	1987-92	33.2	30.6
Australian dollars	1981-83	24.9	34.5
Other currencies	1981-2004	23.8	10.0
Total		885.4	984.7
Less unamortized discount		5.4	5.8
Total		$880.0	$978.9

Maturities of long-term debt at December 31, 1979 for each of the five years through 1984 are (in millions): 1980—$41.2 (included in current liabilities); 1981—$57.9; 1982—$53.1; 1983—$44.0; and 1984—$17.4.

Note 12. Stockholders' Equity (Dollars in Millions Except Per Share Amounts)

	1979	1978
Capital Stock:		
Preferred Stock, without par value, cumulative dividends (authorized, 6,000,000 shares), no change during the year:		
$5.00 series, stated value $100 per share, redeemable at Corporation option at $120 per share (issued, 1,875,366 shares; in treasury, 39,722 shares; outstanding, 1,835,644 shares)	$ 183.6	$ 183.6
$3.75 series, stated value $100 per share, redeemable at Corporation option at $100 per share (issued and outstanding, 1,000,000 shares)	100.0	100.0
Common Stock, $1⅔ par value (authorized, 500,000,000 shares):		
Issued at beginning of the year (288,069,840 shares in 1979 and 287,704,811 shares in 1978)	480.1	479.5
Newly issued stock sold under provisions of the Stock Option Plans, Employe Stock Ownership Plan and Savings-Stock Purchase Program (4,402,659 shares in 1979 and 365,029 shares in 1978)	7.3	.6
Issued at end of the year (292,472,499 shares in 1979 and 288,069,840 shares in 1978)	487.4	480.1
Total capital stock at end of the year	771.0	763.7
Capital Surplus (principally additional paid-in capital):		
Balance at beginning of the year	792.0	772.1
Proceeds in excess of par value of newly issued common stock sold under provisions of the Stock Option Plans, Employe Stock Ownership Plan and Savings-Stock Purchase Program	242.6	19.9
Balance at end of the year	1,034.6	792.0
Net Income Retained for Use in the Business:		
Balance at beginning of the year	16,014.2	14,231.7
Net income	2,892.7	3,508.0
Total	18,906.9	17,739.7
Cash dividends:		
Preferred stock, $5.00 series, $5.00 per share	9.2	9.2
Preferred stock, $3.75 series, $3.75 per share	3.7	3.7
Common stock, $5.30 per share in 1979 and $6.00 per share in 1978	1,520.3	1,712.6
Total cash dividends	1,533.2	1,725.5
Balance at end of the year	17,373.7	16,014.2
Total Stockholders' Equity	$19,179.3	$17,569.9

Notes to Financial Statements (concluded)

Note 13. Segment Reporting

General Motors is a highly vertically-integrated business operating primarily in a single industry consisting of the manufacture, assembly, and sale of automobiles, trucks and related parts and accessories. Net sales, net income, total assets and average number of employes in the U.S. and in locations outside the U.S. for 1979 and 1978 are summarized below. Net income is after provisions for deferred income taxes applicable to that portion of the undistributed earnings deemed to be not permanently invested, less available tax credits and deductions, and appropriate consolidating adjustments for the geographic areas set forth below. Interarea sales are made at negotiated selling prices.

1979	United States	Canada	Europe	Latin America	All Other	Total[1]
			(Dollars in Millions)			
Net Sales:						
Outside	$49,559.9	$4,611.8	$8,338.2	$2,023.8	$1,777.5	$66,311.2
Interarea	5,454.9	3,432.9	276.9	109.0	34.4	—
Total net sales	$55,014.8	$8,044.7	$8,615.1	$2,132.8	$1,811.9	$66,311.2
Net Income	$ 2,320.5	$ 224.1	$ 338.2	$ 14.5	$ 13.9	$ 2,892.7
Net Assets:						
Total current assets	$11,468.2	$1,277.4	$2,575.0	$ 683.4	$ 630.3	$16,556.5
Real estate, plants and equipment	19,941.1	1,056.2	2,700.2	605.1	576.8	24,879.4
Accumulated depreciation	(11,495.3)	(593.0)	(1,598.4)	(212.8)	(398.7)	(14,298.2)
Special tools—less amortization	765.4	31.3	203.4	12.8	44.1	1,057.0
Other assets	3,373.3	112.3	293.1	149.4	221.2	4,021.1
Total assets	24,052.7	1,884.2	4,173.3	1,237.9	1,073.7	32,215.8
Loans payable	2.8	—	529.8	209.2	182.3	924.1
Other current liabilities	6,317.3	630.5	1,472.8	323.6	201.1	8,944.2
Total current liabilities	6,320.1	630.5	2,002.6	532.8	383.4	9,868.3
Long-term debt	664.4	—	34.4	111.7	69.5	880.0
Other liabilities and deferred credits	1,521.8	103.7	681.9	39.8	67.8	2,288.2
Total liabilities	8,506.3	734.2	2,718.9	684.3	520.7	13,036.5
Allied accounts	926.0	(395.1)	(208.5)	(186.8)	(135.6)	—
Net assets	$16,472.4	$ 754.9	$1,245.9	$ 366.8	$ 417.4	$19,179.3
Average Number of Employes (in thousands)	618	39	131	33	32	853

1978	United States	Canada	Europe	Latin America	All Other	Total[1]
			(Dollars in Millions)			
Net Sales:						
Outside	$49,048.8	$3,362.9	$7,421.0	$1,784.5	$1,603.9	$63,221.1
Interarea	4,450.0	3,412.8	245.7	94.0	4.8	—
Total net sales	$53,498.8	$6,775.7	$7,666.7	$1,878.5	$1,608.7	$63,221.1
Net Income (Loss)	$ 3,073.2	$ 157.5	$ 376.2	($ 96.2)[2]	$ 15.6	$ 3,508.0
Total Assets	$24,260.5	$1,343.7	$3,854.4	$1,142.3	$ 876.1	$30,598.3
Net Assets	$15,921.6	$ 601.2	$1,219.7	$ 217.2	$ 246.7	$17,569.9
Average Number of Employes (in thousands)	611	38	126	34	30	839

[1]After elimination of interarea transactions. [2]Due principally to cost of liquidation of Argentine automotive operations.

Note 14. Contingent Liabilities

There are various claims and pending actions against the Corporation and its subsidiaries with respect to commercial matters, including warranties and product liability, governmental regulations including environmental and safety matters, civil rights, patent matters, taxes and other matters arising out of the conduct of the business. Certain of these actions purport to be class actions, seeking damages in very large amounts. The amounts of liability on these claims and actions at December 31, 1979 were not determinable but, in the opinion of the management, the ultimate liability resulting will not materially affect the consolidated financial position or results of operations of the Corporation and its consolidated subsidiaries.

Accountants' Report

Deloitte Haskins & Sells
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

General Motors Corporation, its Directors and Stockholders:

February 13, 1980

We have examined the Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1979 and 1978 and the related Statements of Consolidated Income and Changes in Consolidated Financial Position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies at December 31, 1979 and 1978 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

Supplementary Information

Lines of Business

General Motors is a highly vertically-integrated business operating primarily in the manufacture, assembly and sale of automobiles, trucks and related parts and accessories classified as automotive products. Substantially all of General Motors' products are marketed through retail dealers and through distributors and jobbers in the United States and Canada and through distributors and dealers overseas. To assist in the merchandising of General Motors' products, General Motors Acceptance Corporation and its subsidiaries offer financial services and certain types of automobile insurance to dealers and customers. The amount of net sales attributable to United States, Canadian and overseas operations, and by class of product is summarized for the five years ended December 31, 1979 as follows:

Net Sales Attributable to:	1979	1978	1977	1976	1975
			(Dollars in Millions)		
United States operations					
Automotive products	$51,093.5	$49,603.0	$44,317.0	$37,069.6	$26,137.3
Nonautomotive products	3,389.8	3,391.3	2,795.2	2,277.0	2,392.8
Defense and space	531.5	504.5	438.8	438.1	387.7
Total United States operations	55,014.8	53,498.8	47,551.0	39,784.7	28,917.8
Canadian operations	8,044.7	6,775.7	5,743.9	5,263.0	4,263.3
Overseas operations	12,394.4	10,975.0	8,399.1	7,495.2	7,227.3
Elimination of interarea sales	(9,142.7)	(8,028.4)	(6,732.7)	(5,361.9)	(4,683.5)
Total	$66,311.2	$63,221.1	$54,961.3	$47,181.0	$35,724.9
Worldwide automotive products	$62,006.6	$58,985.5	$51,429.5	$44,106.3	$32,536.0
Worldwide nonautomotive products	$ 4,304.6	$ 4,235.6	$ 3,531.8	$ 3,074.7	$ 3,188.9

Because of the high degree of integration, substantial interdivisional and intercompany transfers of materials and services are made. Consequently, any determination of income by areas of operations or class of products shown above is necessarily arbitrary because of the allocation and reallocation of costs, including corporate costs, benefiting more than one division or product. Within these limitations, the Corporation estimates that the percentage of net income attributable to the United States, Canadian and overseas operations, and by class of product for the five years ended December 31, 1979 is as follows:

Percentage of Net Income Attributable to:	1979	1978	1977	1976	1975
United States operations	79%	87%	89%	82%	85%
Canadian operations	8	5	3	6	9
Overseas operations	13	8	8	12	6
Total	100%	100%	100%	100%	100%
Automotive products	90%	96%	95%	97%	90%
Nonautomotive products	10%	4%	5%	3%	10%

Selected Quarterly Data

	1979 Quarters				1978 Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Dollars in Millions								
Net sales	$17,897.7	$18,982.3	$13,313.5	$16,117.7	$14,867.2	$17,026.1	$13,583.3	$17,744.5
Net income	1,257.2	1,188.0	21.4	426.1	869.6	1,106.3	527.9	1,004.2
Per Share Amounts								
Earned	4.39	4.13	.06	1.46	3.03	3.86	1.84	3.51
Dividends	1.00	1.65	1.15	1.50	1.00	1.50	1.00	2.50
Stock Price Range*								
High	59.38	61.75	65.88	64.88	62.50	66.88	66.50	65.50
Low	53.13	56.38	54.88	49.38	57.13	59.25	58.00	53.75

*The principal market is the New York Stock Exchange and prices are based on the Composite Tape.

Supplementary Information (concluded)

Summary of Operations (Dollars in Millions Except Per Share Amounts)	1979	1978	1977	1976	1975
Net sales	$66,311.2	$63,221.1	$54,961.3	$47,181.0	$35,724.9
Equity in earnings of nonconsolidated subsidiaries and associates, and other income—net	410.2	111.6	277.0	211.9	21.0
Cost of sales and selling, general and administrative expenses, exclusive of items listed below	58,324.2	53,531.5	46,425.2	39,546.4	31,255.5
Depreciation of real estate, plants and equipment	1,236.9	1,180.6	974.0	939.3	906.1
Amortization of special tools	1,950.4	1,855.7	1,406.4	1,296.9	1,180.1
Provision for the Bonus Plan	133.8	168.4	161.0	139.7	32.9
United States, foreign and other income taxes	2,183.4	3,088.5	2,934.2	2,567.8	1,118.2
Net income	2,892.7	3,508.0	3,337.5	2,902.8	1,253.1
Dividends on preferred stocks	12.9	12.9	12.9	12.9	12.9
Earned on common stock	2,879.8	3,495.1	3,324.6	2,889.9	1,240.2
Dividends on common stock	1,520.3	1,712.6	1,944.8	1,590.5	688.4
Net income retained in the year	$ 1,359.5	$ 1,782.5	$ 1,379.8	$ 1,299.4	$ 551.8
Net income—percent of sales	4.4%	5.5%	6.1%	6.2%	3.5%
—percent of stockholders' equity	15.1%	20.0%	21.2%	20.2%	9.6%
Earned on common stock—per share	$ 10.04	$ 12.24	$ 11.62	$ 10.08	$ 4.32
Dividends on common stock—per share	5.30	6.00	6.80	5.55	2.40
Net income retained in the year—per share	$ 4.74	$ 6.24	$ 4.82	$ 4.53	$ 1.92
Total taxes—per share	$ 15.72	$ 18.69	$ 16.58	$ 14.16	$ 8.14
Average shares of common stock outstanding (in millions)	286.8	285.5	286.1	286.7	286.8
Dividends on capital stock as a percentage of net income	53.0%	49.2%	58.7%	55.2%	56.0%

Management's discussion and analysis of operations for 1979, 1978 and 1977 appear on pages 14 through 17.

Additional Statistics (Dollars in Millions Except Per Share Amounts)	1979	1978	1977	1976	1975
Expenditures for real estate, plants and equipment	$ 3,371.8	$ 2,737.8	$ 1,870.9	$ 998.9	$ 1,200.9
Expenditures for special tools	$ 2,015.0	$ 1,826.7	$ 1,775.8	$ 1,308.4	$ 1,035.6
Worldwide average number of employes (in thousands)	853	839	797	748	681
Worldwide payrolls (includes financing and insurance subsidiaries)	$18,851.0	$17,195.5	$15,270.8	$12,908.5	$10,028.4
Common and preferred stockholders—Number (in thousands)	1,237	1,268	1,245	1,251	1,323
—Equity	$19,179.3	$17,569.9	$15,766.9	$14,385.2	$13,082.4
Book value per share of common stock	$ 64.61	$ 60.01	$ 53.82	$ 49.02	$ 44.50
Working capital	$ 6,688.2	$ 7,948.9	$ 7,630.3	$ 7,556.6	$ 6,394.0

Worldwide Factory Sales of Cars and Trucks (Units in Thousands)	1979	1978	1977	1976	1975
Manufactured in the United States					
Passenger cars	5,084	5,292	5,259	4,883	3,680
Trucks and coaches	1,361	1,586	1,436	1,335	978
Total manufactured in the United States	6,445	6,878	6,695	6,218	4,658
Manufactured in Canada	843	853	777	715	595
Manufactured overseas*	1,705	1,751	1,596	1,635	1,376
Total factory sales of cars and trucks—all sources	8,993	9,482	9,068	8,568	6,629

*Includes units manufactured by Isuzu Motors Limited under contract for and marketed by GM.

The Impact of Inflation on Financial Data

In recent years, the accounting profession has given a great deal of consideration to the question of reporting the impact of inflation on financial data. Many complex theories have been proposed and studied but none has received general acceptance. Nevertheless, all interested parties agree that inflation has an impact on financial data. Thus, in September 1979 the Financial Accounting Standards Board (FASB) issued Statement No. 33, *Financial Reporting and Changing Prices.* Statement No. 33 establishes standards for reporting certain effects of price changes on financial data. No one method is required by the Statement; instead, alternative methods are required in order to display various effects. The Statement is intended to help readers of financial data assess results in the following specific areas:

a. The erosion of general purchasing power,
b. Enterprise performance,
c. The erosion of operating capability, and
d. Future cash flows.

The accompanying Schedules display the basic historical cost financial data adjusted for general inflation (constant dollar) and also for changes in specific prices (current cost) for use in such assessments.

In reviewing these Schedules, the following comments may be of assistance in understanding the reasons for the different "income" amounts and the uses of the data.

Financial statements—historical cost base

The objective of financial statements, and the primary purpose of accounting, is to furnish, to the fullest extent practicable, objective, quantifiable summaries of the results of financial transactions to those who need or wish to judge management's ability to manage. The data are prepared by management and independently verified by the independent public accountants.

The present accounting system in general use in the United States and the financial statements prepared by major companies from that system were never intended to be measures of relative economic value, but instead are basically a history of transactions which have occurred and by which current and potential investors and creditors can evaluate their expectations. There are many subjective, analytical, and economic factors which must be taken into consideration when evaluating a company. Those factors cannot be quantified objectively. Just as the financial statements cannot present in reasonable, objective, quantifiable form all of the data necessary to evaluate a business, they also should not be expected to furnish all the data needed to evaluate the impact of inflation on a company.

Data adjusted for general inflation—constant dollar base

Financial reporting is, of necessity, stated in dollars. It is generally recognized that the purchasing power of a dollar has deteriorated in recent years, and the costs of raw materials and other items as well as wage rates have increased and can be expected to increase further in the future. It is not as generally recognized, however, that profit dollars also are subject to the same degree of reduction in purchasing power. Far too much attention is given to the absolute level of profits rather than the relationship of profits to other factors in the business and to the general price level. For example, as shown in the accompanying Schedule A, adjusting the annual amount of sales and net income to a constant 1967 dollar base, using the U.S. Bureau of Labor Statistics' Consumer Price Index for Urban Consumers, demonstrates that constant dollar profits have not increased in recent years in line with the changes in sales volume. This is reflected in the general decline in the net income as a percent of sales over that period as well as the decrease in the dividend paid in terms of constant dollars of purchasing power.

Data adjusted for changes in specific prices—current cost

Another manner in which to analyze the impact of inflation on financial data (and thus the business) is by adjusting the historical cost data to the current costs for the major balance sheet items which have been accumulated through the accounting system over a period of years and which thus reflect different prices for the same commodities and services.

The purpose of this type of restatement is to furnish estimates of the impact of price increases for replacement of inventories and property on the potential future net income of the business and thus assess the probability of future cash flows. Although these data may be useful for this purpose, they do not reflect specific plans for the replacement of property. A more meaningful estimate of the impact of such costs on future earnings is the estimated level of future capital expenditures which is set forth in the Letter to Stockholders on page 3.

Summary

In the accompanying Schedules, the effects of the application of the preceding methods on the past five years' and the current year's operations are summarized. Under both the constant dollar and the current cost methods, the net income of the business is lower than that determined under the historical cost method. What does this mean? It means that business, as well as individuals, is affected by inflation and that the purchasing power of business dollars also has declined. In addition, the costs of maintaining the productive capacity, as reflected in the current cost data (and estimate of future capital expenditures), have increased. Of particular concern is the effect of a fixed income tax rate on such data. Since present tax laws do not allow deductions for the current costs of depreciation, the taxes levied on the company exceed statutory rates after the data are adjusted for the impact of inflation. This is reflected on Schedule B in which the effective tax rate rises from 44.9% under the historical cost base to 58.4% and 57.9% under the 1979 constant dollar and current cost bases, respectively. Management must seek ways to cope with the impact of inflation on accounting through accounting methods such as the last-in, first-out (LIFO) method of inventory valuation, which matches current costs with current revenues, and through accelerated methods of depreciation.

In comparing these data to those of other companies for the current year, it should be kept in mind that under the Federal income tax law, the LIFO basis for inventory valuation is recognized *only* if it is also followed in the financial statements. Since Statement No. 33 specifically prohibits the restatement of taxes in the current year, the effective tax rates for those companies using first-in, first-out (FIFO) and straight-line depreciation in their accounts will be even higher than those companies that use the LIFO and accelerated depreciation methods in their accounting.

Another significant adjustment is the restatement of stockholders' equity—the investment base. The adjustment for general inflation (constant dollar) puts all the expenditures for these items on a consistent purchasing power basis—the average 1967 dollar. This adjustment decreases the historical stockholders' equity, as represented by net assets in Schedule A, of about $19.2 billion to a constant dollar basis of $12.2 billion. In other words, the $19.2 billion represented in the financial statements has only $12.2 billion of purchasing power expressed in 1967 dollars. The net assets adjusted for specific prices (current cost restated in 1967 dollars), as shown in Schedule A, amounted to $13.0 billion. This is $0.8 billion higher than that shown on a constant dollar basis due to the fact that the CPI-U index is accelerating more rapidly than the indices of specific prices applicable to General Motors.

Finally, it must be emphasized that there is a critical need for national monetary and fiscal policies designed to control inflation and to provide adequate capital for future business growth which, in turn, will mean increased productivity and employment.

Schedule A

Comparison of Selected Data Adjusted for Effects of Changing Prices

(Dollars in Millions Except Per Share Amounts)

Historical cost data adjusted for general inflation (constant dollar) and changes in specific prices (current cost). (A)

	1979	1978	1977	1976	1975
Net Sales—as reported	$66,311.2	$63,221.1	$54,961.3	$47,181.0	$35,724.9
—in constant 1967 dollars	30,501.9	32,354.7	30,281.7	27,672.1	22,161.8
Net Income—as reported	$ 2,892.7	$ 3,508.0	$ 3,337.5	$ 2,902.8	$ 1,253.1
—in constant 1967 dollars	817.0(B)	1,384.5	1,580.9	1,485.4	283.9
—in current cost 1967 dollars	829.5(B)				
Earned per share of common stock—as reported	$ 10.04	$ 12.24	$ 11.62	$ 10.08	$ 4.32
—in constant 1967 dollars	2.83(B)	4.83	5.50	5.15	0.96
—in current cost 1967 dollars	2.87(B)				
Dividends per share of common stock—as reported	$ 5.30	$ 6.00	$ 6.80	$ 5.55	$ 2.40
—in constant 1967 dollars	2.44	3.07	3.75	3.26	1.49
Net income as a percent of sales—as reported	4.4%	5.5%	6.1%	6.2%	3.5%
—in constant 1967 dollars	2.7	4.3	5.2	5.4	1.3
—in current cost 1967 dollars	2.7				
Net income as a percent of stockholders' equity—as reported	15.1%	20.0%	21.2%	20.2%	9.6%
—in constant 1967 dollars	6.7	11.2	13.1	14.8	3.2
—in current cost 1967 dollars	6.4				
Net assets at year-end—as reported	$19,179.3	$17,569.9	$15,766.9	$14,385.2	$13,082.4
—in constant 1967 dollars	12,163.4	12,351.3	12,041.4	10,007.7	8,921.8
—in current cost 1967 dollars	12,982.7				
Unrealized gain from decline in purchasing power of dollars of net amounts owed	$ 83.8				
Increase in specific prices of inventory and property over increase in the general price level—net decrease	($ 221.8)				
Market price per common share at year-end—unadjusted	$ 50.00	$ 53.75	$ 62.88	$ 78.50	$ 57.63
—in constant 1967 dollars	23.00	27.51	34.64	46.04	35.75
Average Consumer Price Index	217.4	195.4	181.5	170.5	161.2

(A) Adjusted data have been determined by applying the Consumer Price Index —Urban to the data with 1967 (CPI-100) as the base year as specified by SFAS No. 33. Depreciation has been calculated on a straight-line basis for this calculation.

(B) These amounts will differ from those shown for constant dollar and current cost in Schedule B because a different base year has been used (1967 in Schedule A and 1979 in Schedule B) in order to illustrate the impact of changing prices in alternative forms.

Schedule B

Schedule of Income Adjusted for Changing Prices

For The Year Ended December 31, 1979

(Dollars in Millions Except Per Share Amounts)

	As Reported in the Financial Statements (Historical Cost)	Selected Data Adjusted for General Inflation (1979 Constant Dollar)	Adjusted for Changes in Specific Prices (1979 Current Cost)
Net Sales	$66,311.2	$66,311.2	$66,311.2
Cost of sales	55,848.7	56,462.2	56,107.5
Depreciation and amortization expense	3,187.3	3,690.4	4,017.8
Other operating items—net	2,199.1	2,199.1	2,199.1
United States and other income taxes	2,183.4(A)	2,183.4(A)	2,183.4(A)
Total costs and expenses	63,418.5	64,535.1	64,507.8
Net Income	$ 2,892.7	$ 1,776.1(B)	$ 1,803.4(B)
Earned per share of common stock	$ 10.04	$ 6.15(B)	$ 6.24(B)
Effective income tax rate	44.9%(A)	58.4%(A)	57.9%(A)
Unrealized gain from decline in purchasing power of dollars of net amounts owed		$ 182.2	$ 182.2
Increase in specific prices of inventory and property over increase in the general price level—net decrease			($ 482.1)(C)

(A) In accordance with SFAS No. 33, no adjustment has been made to the provision for income taxes. The effect is to increase the effective tax rate as shown.

(B) These amounts will differ from those shown for constant dollar and current cost in Schedule A because a different base year has been used (1967 in Schedule A and 1979 in Schedule B) in order to illustrate the impact of changing prices in alternative forms.

(C) At December 31, 1979, current cost of inventory was $9,679.4 million and current cost of real estate, plant and equipment, net of accumulated depreciation, was $19,079.2 million. The current cost of property owned and the related depreciation expense were calculated by applying selected producer price indices to historical book values of machinery and equipment, the Marshall Valuation Service index to buildings and the use of assessed values for land.

Board of Directors

Committees of the Board

THE FINANCE COMMITTEE includes both employe and non-employe Directors and is responsible for the determination of financial policies and the management of financial affairs including matters such as capital requirements and dividend recommendations to the Board.

THOMAS A. MURPHY
Chairman
ROGER B. SMITH
Vice Chairman

JOHN T. CONNOR
ELLIOTT M. ESTES
WALTER A. FALLON
CHARLES T. FISHER, III
RICHARD C. GERSTENBERG

HOWARD H. KEHRL
JOHN A. MAYER
F. JAMES McDONALD
HOWARD J. MORGENS
ELLMORE C. PATTERSON

THE EXECUTIVE COMMITTEE is composed entirely of employe Directors and is responsible for determining operating policies, including product plans and the need for capital expenditures.

ELLIOTT M. ESTES
Chairman

REUBEN R. JENSEN
HOWARD H. KEHRL
F. JAMES McDONALD

THOMAS A. MURPHY
ROGER B. SMITH

THE AUDIT COMMITTEE, composed entirely of non-employe Directors, selects and engages the independent public accountants, reviews the scope and results of the audits, the accounting principles being applied, the effectiveness of the internal controls, and, in its oversight role, assures that management fulfills its responsibilities in the preparation of the financial statements.

JOHN D. deBUTTS
Chairman

ANNE L. ARMSTRONG
W. EARLE McLAUGHLIN
EDMUND T. PRATT, JR.

J. STANFORD SMITH
LEON H. SULLIVAN
CHARLES H. TOWNES

THE PUBLIC POLICY COMMITTEE, composed entirely of non-employe Directors, inquires into every phase of Corporate activities that relate to public policy and makes appropriate recommendations to management or the full Board.

CATHERINE B. CLEARY
Chairman

ANNE L. ARMSTRONG
JOHN D. deBUTTS
SHEARON HARRIS

RAYMOND H. HERZOG
LEON H. SULLIVAN
CHARLES H. TOWNES

THE BONUS AND SALARY COMMITTEE, composed entirely of non-employe Directors, reviews executive compensation plans and benefit programs and determines compensation of Corporate officers and other members of the management group.

HOWARD J. MORGENS
Chairman

JOHN T. CONNOR
WALTER A. FALLON
RICHARD C. GERSTENBERG

ROBERT S. HATFIELD
JOHN A. MAYER
ELLMORE C. PATTERSON

THE NOMINATING COMMITTEE, composed entirely of non-employe Directors, conducts continuing studies of the size and composition of the Board of Directors and recommends candidates for membership.

JOHN T. CONNOR
Chairman

CATHERINE B. CLEARY
WALTER A. FALLON
CHARLES T. FISHER, III

JOHN A. MAYER
HOWARD J. MORGENS
ELLMORE C. PATTERSON


ANNE L. ARMSTRONG
Former U.S. Ambassador to Great Britain
Director—3 Years


CATHERINE B. CLEARY
Former Chairman of the Board,
First Wisconsin Trust Company
(Trust Services)
Director—7 Years


CHARLES T. FISHER, III
President,
National Bank of Detroit
(Banking)
Director—8 Years


RICHARD C. GERSTENBERG
Former Chairman,
Board of Directors
Director—12 Years


HOWARD H. KEHRL
Executive Vice President,
Overseas Operations and Technical Staffs
Service—32 Years
Director—5 Years


JOHN A. MAYER
Former Chairman of the Board,
Mellon Bank N.A.
(Banking)
Director—11 Years


ELLMORE C. PATTERSON
Former Chairman of the Board,
Morgan Guaranty Trust Company of New York
(Banking)
Director—6 Years


EDMUND T. PRATT, JR.
Chairman of the Board,
Pfizer Inc.
(Pharmaceutical Products, Cosmetics and Chemicals)
Director—3 Years

JOHN T. CONNOR
Chairman of the Board,
Schroders Incorporated
(Banking)
Director—14 Years

JOHN D. deBUTTS
Former Chairman of the Board,
American Telephone and Telegraph Company
(Communications)
Director—4 Years

ELLIOTT M. ESTES
President and Chief Operating Officer
Service—45 Years
Director—7 Years

WALTER A. FALLON
Chairman of the Board,
Eastman Kodak Company
(Photographic Equipment, Chemicals and Fibers)
Director—7 Years

SHEARON HARRIS
Chairman of the Board,
Carolina Power & Light Company
(Electric Utility)
Director—3 Years

ROBERT S. HATFIELD
Chairman of the Board,
The Continental Group, Inc.
(Packaging Products)
Director—6 Years

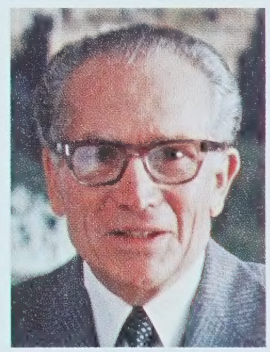
RAYMOND H. HERZOG
Chairman of the Board,
Minnesota Mining and Manufacturing Company
(Household and Industrial Products)
Director—2 Years

REUBEN R. JENSEN
Executive Vice President,
Worldwide Components and Power Products Operations
Service—34 Years
Director—5 Years

F. JAMES McDONALD
Executive Vice President,
North American Car & Truck, Worldwide Components, and Power Products Operations
Service—39 Years
Director—5 Years

W. EARLE McLAUGHLIN
Chairman of the Board,
The Royal Bank of Canada
(Banking)
Director—13 Years

HOWARD J. MORGENS
Chairman Emeritus,
The Procter & Gamble Company
(Household and Industrial Products)
Director—17 Years



THOMAS A. MURPHY
Chairman, Board of Directors and Chief Executive Officer
Service—42 Years
Director—8 Years

J. STANFORD SMITH
Former Chairman of the Board,
International Paper Company
(Paper and Wood Products)
Director—3 Years

ROGER B. SMITH
Executive Vice President,
Operating Staffs and Financial Operations
Service—31 Years
Director—5 Years

LEON H. SULLIVAN
Pastor, Zion Baptist Church of Philadelphia
Director—9 Years

CHARLES H. TOWNES
Professor, University of California
(Physics)
Director—6 Years

Officers

THOMAS A. MURPHY
Chairman and Chief
Executive Officer

ELLIOTT M. ESTES
President and Chief
Operating Officer

EXECUTIVE VICE PRESIDENTS

REUBEN R. JENSEN

HOWARD H. KEHRL

F. JAMES McDONALD

ROGER B. SMITH

VICE PRESIDENTS AND GROUP EXECUTIVES

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Electrical Components Group

DAVID C. COLLIER
Finance Group

ALEXANDER A. CUNNINGHAM
Overseas Group

ROBERT W. DECKER
Car and Truck Group

GEORGE R. ELGES
Mechanical Components Group

JOSEPH E. GODFREY
Body and Assembly Group

ALEX C. MAIR
Technical Staffs Group

PAUL D. PENDER
Operating Staffs Group

DAVID S. POTTER
Public Affairs Group

HAROLD L. SMITH
Power Products Group

VICE PRESIDENTS

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Environmental Activities Staff

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General Manager
Detroit Diesel Allison Division

JOHN F. BECK
General Director
Latin American Operations

FERDINAND P. J. BEICKLER
Managing Director
Vauxhall Motors Limited

ROBERT D. BURGER
Marketing Staff

CHARLES S. CHAPMAN
Managing Director
General Motors-Holden's Limited

PAUL F. CHENEA
Research Laboratories

PATRICK J. COLETTA
General Manager
GM Assembly Division

ROBERT J. COOK
General Manager
Oldsmobile Division

THOMAS E. DARNTON
Procurement, Production
Control and Logistics Staff

JOHN R. EDMAN
Financial Staff

STEPHEN H. FULLER
Personnel Administration and
Development Staff

PETER K. HOGLUND
General Manager
Electro-Motive Division

CHARLES KATKO
General Manager
Fisher Body Division

EDWARD C. KENNARD
General Manager
Cadillac Motor Car Division

ROBERT D. LUND
General Manager
Chevrolet Motor Division

ROBERT F. MAGILL
Industry-Government
Relations Staff

THOMAS O. MATHUES
Manufacturing Staff

JOHN P. McCORMACK
General Director
Europe, Mid-East and Africa

JOHN W. McNULTY
Public Relations Staff

DONALD H. McPHERSON
General Manager
Buick Motor Division

GEORGE B. MORRIS, JR.
Industrial Relations Staff

ROBERT A. NITSCHKE
Associate General Counsel

JOHN QUICK
General Director
Pacific Operations

IRVIN W. RYBICKI
Design Staff

JOSEPH J. SANCHEZ
Managing Director
General Motors do Brasil S.A.

CHARLES J. SCANLON
Coordinator of
Pension Fund Investments

F. ALAN SMITH
President and General Manager
General Motors of
Canada Limited

OTIS M. SMITH
General Counsel

ROBERT C. STEMPEL
General Manager
Pontiac Motor Division

ROBERT W. TRUXELL
General Manager
GMC Truck & Coach Division

JAMES G. VORHES
Consumer Relations and
Service Staff

JAMES F. WATERS, JR.
Managing Director
Adam Opel AG

MARINA v.N. WHITMAN
Chief Economist

FRANK J. WINCHELL
Engineering Staff

STAFF OFFICERS

ROBERT T. O'CONNELL
Treasurer

WILLIAM E. HOGLUND
Comptroller

CAROL M. CONKLIN
Secretary

OPEL KADETT LUXUS 3-Door Hatchback Sedan

HOLDEN COMMODORE SL/E

1980 Public Interest Report

Additional information on GM progress in such areas as automotive emissions and fuel economy, automotive safety, industrial energy management, alternative fuels and auto engine developments, overseas operations, product quality and service, equal employment opportunities, environmental control programs, employe programs, and community relations will be available in a supplemental booklet "1980 General Motors Public Interest Report" after April 1. This booklet also will provide information on the cost of government regulation. Stockholders wishing to receive a copy may write to: General Motors Corporation, Room 11-227, General Motors Building, Detroit, Michigan 48202.

BEDFORD TL

GM do BRASIL CHEVROLET CHEVETTE Hatch SL

General Motors Corporation
Detroit, Michigan 48202

CHEVROLET CHEVETTE 4-Door Hatchback Sedan